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Agency Forecast Sizable Imports in '80s

CIA Chided on Soviet Oil Predictions

By George Lardner Jr.
Washington Post Staff Writer

The Central Intelligence Agency was gently chided in a Senate study yesterday for its predictions last year that the Soviet Union would be importing oil in substantial quantities by the mid-1980s.

In a 30-page report on the CIA's work, the Senate Intelligence Committee also suggested that both the White House and CIA Director Stansfield Turner should be more sensitive to the need to keep the release of economic and scientific intelligence "free from undue pressure."

But despite these criticisms, the committee's staff report was markedly defensive and at points openly apologetic on the CIA's behalf.

President Carter announced in a televised news conference on April 15, 1977, that the CIA had provided him with disturbing new findings showing there was less gas and oil in the world than previously believed. He used the report to build domestic support for his energy plan.

Subsequently, the CIA made public two energy reports, one dealing with the international outlook to 1985 and another with Soviet oil production. Turner followed up by testifying before a House energy subcommittee on April 26, 1977, that "we estimate that in 1985 the U.S.S.R. and Eastern Europe will need net imports of 3.5 to 4.5 million barrels a day."

The sequence led to widespread criticism, including a charge that the CIA's facts may have been "cooked" to fit the president's recipe. The Senate committee staff, however, said it found "no evidence" to support that notion.

The Senate report was the second the Intelligence Committee has turned out on CIA oil forecasting. The first, issued last December, dealt with the agency's predictions in 1974—following the Arab oil embargo and a 400 percent increase in oil prices by the Organization of Petroleum Exporting Countries. From January to June of 1974, the CIA adhered, erroneously, "to the position that OPEC oil prices would fall."

In that study, the Senate committee staff concluded that publications such as The Wall Street Journal and the London Financial Times had done a better job.

The new study found support for the general conclusion that "the Soviet oil industry is facing a difficult period." But it called the prediction of heavy imports unfortunate, quoted a number of experts as expressing surprise and disbelief on hearing it, and made clear that the agency now wishes it had surrounded the questionable forecast with all the caveats that make it unlikely.

At the same time, however, the study maintained that misstatements in CIA Director Turner's congressional testimony could be " 'explained' " and it contended that the CIA's oil experts were really to blame only for "a lack of clarity" in their "methodological" approach.

CIA officials, by contrast, were harsher in their own assessment of the agency's prediction of Soviet-East European oil imports of 3½ million to 4½ million barrels a day. One termed it a "terrible glitch."

The Soviets "will do anything to prevent them from becoming an oil importer of that magnitude," Walter McDonald, former deputy director of the CIA's Office of Economic Research, told the committee. "... The Soviets cannot afford to lose that kind of hard currency in the international market."

The Senate study summed up such oversights by stating:

"In light of the analytical techniques used by the CIA oil experts, the import project should be read as a worst case analysis . . . *If the study is to be faulted, it ought to be faulted for its lack of clarity on that methodological point.*"

Similarly, the Intelligence Committee observed, Turner stated in his House testimony that the Soviet Union and Eastern Europe would "need" millions of barrels of oil a day. His remarks, the Senate report said, "can still be 'explained' in such a way as to fall short of predicting that such an amount *will* be imported."

Turning to President Carter, the Senate study said the manner in which he publicly cited the CIA information—before its release to the public—"understandably gave rise to questions about his 'use' of the intelligence."

While the committee staff indicated that a president's use of CIA information to support policy choices is perfectly proper so long as the information itself is also made public, the report suggested that delicacy is essential.

"The White House and the Director of Central Intelligence need to be fully sensitive," the report concluded, "to the responsibilities they bear in preserving the integrity of the analytic process and in creating confidence among Congress and the public that the substance and the circumstances surrounding the release of economic and scientific intelligence are free from undue pressure."

The Senate study dealt with one other shortcoming, which it seemed to blame on the news media, in a footnote. In making his announcement last April, the president said the CIA report showed that "world oil reserves" had been exaggerated.

"Technically that was incorrect," the Senate Intelligence Committee staff said in a footnote, "since the CIA report did not go into the question of oil *reserves*. Rather it covered only energy *production* up to 1985. Unfortunately, this distinction was lost in the public coverage."

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